LEADERSHIP COUNCIL OF AGING ORGANIZATIONS
SOLTUIONS FORUM
MAY 17,2005

Resolution on Pensions and Retirement Savings Plans

Whereas Americans need pensions and retirement savings on top of Social Security in order to maintain a decent standard of living in retirement; and

Whereas only one-third (34 percent) of people 65 and older receive any kind of pension from a past job and fewer than three-in-five (56 percent) have any income from savings (Social Security Administration 2005); and

Whereas half (50 percent) of today's private-sector workers do not participate in a retirement plan at work (Bureau of Labor Statistics); and

Whereas current federal policies provide upside down retirement savings incentives, with the smallest tax benefits going to those with the lowest incomes and the largest tax benefits going to those with the highest incomes; and

Whereas workers are less likely to participate in a retirement plan at work the lower their incomes—fewer than three-in-10 (28.4 percent) workers in the bottom quarter of wage earners participate in a plan compared to nearly three-fourths (72.5 percent) of workers in the top quarter (Purcell 2004); and

Whereas fewer than three percent of taxpayers contribute to traditional Individual Retirement Accounts (IRAs) and fewer than three percent contribute to Roth IRAs each year (Burman 2004); and

Whereas more than one-third (36.4 percent) of households approaching retirement age (those headed by someone 55-59) have no retirement savings in a defined contribution plan or an IRA (Orszag 2004); and

Whereas the typical household approaching retirement age that owns a retirement savings account had saved only $50,000 in 2001, enough to provide a single-life annuity of only several hundred dollars per month (Orszag 2004); and

Whereas any cuts in future Social Security benefits will mean that today's workers will have to accumulate even more through pensions, 401(k)s and IRAs just to make up the difference and replace an adequate share of earnings in retirement; and

Whereas the shifting onto workers of investment and longevity risk that accompanies the replacement of defined benefit pensions with defined contribution retirement savings accounts requires workers to save even more in order to achieve a reasonable level of retirement income security; and

Whereas many employers are terminating or freezing their traditional defined benefit pension plans; and

Whereas many employers have converted their traditional defined benefit plans to cash balance plans and similar hybrids, depriving older, long-service workers of expected benefits; and

Whereas many workers have been hurt badly by investment of their retirement savings in employer stock, such as workers at Enron and Worldcom.

Therefore, Be It Resolved by the 2005 White House Conference on Aging to support policies that:

Expand retirement plan access and participation to more workers and workplaces, specifically by

- Making the SAVER tax credit permanent, transforming it into a refundable tax credit to provide savings incentives for low-wage, non-taxed workers, and increasing its income limits to cover more middle class Americans
- Establishing universal retirement savings accounts—separate from and on top of Social Security—with automatic government contributions for low- and moderate-income savers

- Adopting policies that will lead to greater participation in job-based retirement plans and larger retirement savings accumulations among low- and middle-income workers, such as auto-enrollment in 401(k) plans, commitment of future pay increases to retirement plan contributions, and expanded participation rights for part-time and contingent workers
- Encouraging the creation of hybrid retirement plans that combine the best features of defined benefit and defined contribution plans in workplaces that currently offer no retirement plan to workers
- Establishing a national education campaign for employers that explains the importance of starting pensions and retirement savings plans for workers; and

Improve the security, adequacy and fairness of job-based retirement plan benefits, specifically by

- Maintaining and improving worker and retiree benefit guarantees provided in the private sector by the Pension Benefit Guaranty Corporation
- Extending to retirement plans that cover state and local government employees fiduciary standards and participant protections similar to those that govern private-sector plans covered under the Employee Retirement Income Security Act
- Encouraging the preservation of benefits when workers change jobs
- Promoting the distribution of some or all benefits as lifetime monthly annuity payouts at retirement
- Improving the meaningfulness and adequacy of disclosures about the funding status of pension plans
- Protecting workers' reasonable benefit expectations when employers convert traditional defined benefit plans to cash balance plans or similar hybrids
- Protecting the benefit interests of divorced spouses and widows of workers and retirees
- Encouraging the provision of and improving the quality of conflict-free investment education and advice to workers participating in 401(k)-type defined contribution plans
- Prohibiting employers from concentrating and encouraging workers to invest too much of their retirement savings in company stock
- Giving workers greater rights to diversify the investment of their retirement savings, particularly by selling company stock held in defined contribution plans

- Establishing a federal advocacy office for retirement plan participants, similar to the IRS Taxpayer Advocate Office, that would function as an ombudsman for retirement plan participants
- Giving workers and retirees the right to select their own representatives to participate in key decisions about how their retirement plans are invested.

References

Bureau of Labor Statistics, U.S. Department of Labor, *National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2004* (Nov. 2004), p. 6, t. 2.

Burman, Leonard E., et. al, "Distributional Effects of Defined Contribution Plans and Individual Retirement Arrangements," Tax Policy Center Discussion Paper No. 16 (2004 revised), p. 44, t. 6.

Orszag, Peter R., "Balances in Defined Contribution Plans and IRAs," *Tax Notes* (Feb. 2, 2004), p. 655.

Purcell, Patrick J., Congressional Research Service, "Pension Sponsorship and Participation: Summary of Recent Trends," (updated Sept. 10, 2004), p. 16, t. 8.

Social Security Administration, *Income of the Population 55 or Older, 2002* (Mar. 2005), p. 28, t. 1.7.